

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2007-338-E - ORDER NO. 2008-755
NOVEMBER 6, 2008

IN RE: Application of Duke Energy Carolinas, LLC,)	ORDER AUTHORIZING
for Authorization Under Article 13, Chapter)	THE ISSUANCE AND
27 of Title 58 Of The Code Of Laws of)	SALE OF SECURITIES
South Carolina, (1976, As Amended), to)	
Issue and Sell Securities)	

This matter comes before the Public Service Commission of South Carolina (“Commission”) upon an application from Duke Energy Carolinas, LLC (“Duke Energy Carolinas” or the “Company”) for an Order authorizing the issuance and sale of a maximum of \$2,000,000,000 aggregate principal amount of securities (“Application”). Duke Energy Carolinas’ Application was filed on August 7, 2008.

Duke Energy Carolinas served its Application on the South Carolina Office of Regulatory Staff (“ORS”). ORS informed this Commission by correspondence dated September 8, 2008, that, “Based on its review, ORS has no objection to Duke Energy’s request.”

A review of Duke Energy Carolinas’ Application discloses that as of March 31, 2008, the Company’s outstanding debt consisted of First and Refunding Mortgage Bonds, Senior Notes and Other Long-Term Debt. A schedule of all such Bonds, Notes and other Long-Term Debt was attached to the Company’s Application as Exhibit “A.”

In this Application the Company states that all of the outstanding First and Refunding Mortgage Bonds were issued under the terms of a First and Refunding

Mortgage dated as of December 1, 1927, from the Company to The Bank of New York, as trustee, as supplemented and amended by various Supplemental Indentures. The Company's Application also reveals that the Pollution Control Obligations resulted when the Company borrowed the proceeds of the sale of pollution control revenue bonds issued by various governmental authorities pursuant to authorization granted by this Commission.

The Application further states that all of the Senior Notes are issued under a Senior Indenture to The Bank of New York, as successor trustee to JP Morgan Chase Bank, dated as of September 1, 1998. The Company's Application includes information that the other Long-Term Debt includes a financing arrangement utilizing commercial paper backed by a long-term credit facility as approved by this Commission in Order No. 2007-578, issued on August 23, 2007, in Docket No. 2004-141-E.

FINDINGS OF FACT

Based upon verified testimony, we make the following findings:

1. In reviewing Duke Energy Carolinas' verified Application, we find that the Company proposes to issue and sell, from time to time, a maximum of \$2,000,000,000 aggregate principal amount of all or any combination of the following (collectively, the "Proposed Securities"):

(i) Long-Term Debt Securities ("Proposed Debt Securities")

The Proposed Debt Securities may be unsecured debt instruments or First and Refunding Mortgage Bonds.

To the extent the Proposed Debt Securities are Senior Notes, they will be

created and issued under the Senior Indenture to the Bank of New York, as Trustee, dated as of September 1, 1998, as heretofore supplemented or as further supplemented by a supplemental indenture to be executed in connection with their issuance.

To the extent the Proposed Debt Securities are Subordinated Notes, they will be created and issued under the Company's Subordinated Indenture to the Bank of New York, as Trustee, dated as of December 1, 1997, as heretofore supplemented or as further supplemented by a supplemental indenture to be executed in connection with their issuance.

To the extent the Proposed Debt Securities are the Company's First and Refunding Mortgage Bonds, they will be created and issued under the First and Refunding Mortgage dated as of December 1, 1927, from the Company to the Bank of New York, as Trustee (the "Mortgage"), as heretofore supplemented and as to be further supplemented and amended by a supplemental indenture to be executed in connection with their issuance. They will be subject to all of the provisions of the Mortgage, as supplemented, and by virtue of said Mortgage will constitute (together with the Company's outstanding First and Refunding Mortgage Bonds) a first lien on substantially all of the Company's fixed property and franchises.

When any of the Proposed Debt Securities are issued for refunding or refinancing the Company proposes to execute the proposed transactions so that,

over time, there will be no material effect on the Company's capitalization with respect to the source of funds.

The Proposed Debt Securities may also consist of debt securities subject to remarketing prior to maturity. Consistent with prior orders of the Commission, any remarketing of such securities or resetting of their interest rates prior to the scheduled maturity date would not be deemed to be a re-issuance of such securities by the Company, so as to reduce the amount of securities otherwise permitted to be issued by the Company pursuant to the terms of the Commission's order in this docket.

(ii) Tax Exempt Bond Obligations

The Company proposes to enter into agreements to borrow proceeds from the sale of tax exempt debt securities issued by one or more governmental authorities ("Tax Exempt Bonds"), to fund construction of qualifying facilities associated with the Company's electric generation plants (and qualifying related expenditures), to reimburse costs previously expended for such purposes, or to refinance previously outstanding Tax Exempt Bonds. The Company's obligation to repay the issuing authority may be direct, through a secured or unsecured loan agreement between it and the authority, or indirect through financing arrangements such as a letter of credit posted by a bank to secure the Company's obligations on the Tax Exempt Bonds. The Company's direct obligation under a loan agreement with the authority may be insured by a third party or secured by issuance of a First and Refunding Mortgage Bond or other secured instrument.

2. We find that when the Proposed Securities are issued and sold in one or more public offerings subject to registration under the federal securities laws, the Company will sell the Proposed Securities during the effective period of a “shelf” registration statement which Applicant has filed with the Securities and Exchange Commission in connection with the registration of such securities.

3. We find that the Company proposes to enter into negotiations with, or request competitive proposals from, investment bankers or other financial institutions to act as agents, dealers, underwriters, or direct purchasers in connection with either the public or private offering of each issuance of Proposed Securities in accordance with the terms thereof. The Company will determine which sales method and financial institution(s) will provide the most favorable terms to the Company for any issuance and sale of the Proposed Securities.

4. We find that the authority requested herein is to replenish the authority granted by the Commission in Docket No. 2007-338-E which has been fully utilized.

5. We further find that the Company will pay no fee for services (other than attorneys, accountants, trustees and fees for similar technical services) in connection with the negotiation or consummation of the issuance and sale of any of the Proposed Securities, nor for services in securing underwriters, agents, dealers or purchasers of such securities (other than fees negotiated with such persons).

6. We find that the proceeds from sales of the Proposed Securities may be used for (a) the purchase or redemption of the Company’s outstanding, higher cost securities, (b) refunding maturing securities, (c) financing the Company’s ongoing

construction, including the acquisition of nuclear fuel, as further described in Section 8 of the Application, or (d) the Company's general purposes, as allowed.

7. We find that Duke Energy Carolinas is continuing its construction program of additions to its electric generation, transmission and distribution facilities in order to, among other things, (i) meet the expected increase in demand for electric service, (ii) construct and maintain an adequate margin of reserve generating capacity, (iii) conduct necessary replacements of major generating plant components and (iv) meet environmental compliance requirements. Furthermore, the Company connected 65,000 new customers in 2007 and continued to incur significant capital expenditures related to expanding and replacing its transmission and distribution system.

8. We find that in the Company's Application, electric energy sales for 2007 reached 87 billion kWh; and sales for 2006 were 83 billion kWh. Sufficient financing of its current construction program is essential if the Company is to continue to meet its obligations to the public to provide adequate and reliable electric service. The Company set forth in its Application that electric plant construction expenditures (including expenditures for the acquisition of nuclear fuel) were \$1.7 billion for 2007 and \$1.8 billion for 2006.

9. We find that the Company plans to incur significant capital expenditures for compliance with environmental rules and regulations with respect to its existing generation plants, and construction of new electric generation plants to meet increasing customer demand. Between the date of this Application and December, 2010, the Company states it plans to invest approximately \$7.3 billion in its electric plant.

Adequate financing authority will allow the Company to access the capital markets to efficiently fund these necessary capital expenditures.

10. We find that the Company has set forth the purposes of the issuance and sale of the Proposed Securities, that the purposes are lawfully within the limits of the Company's authority, and that they are consistent with its Limited Liability Company Operating Agreement, as amended.

11. We find that the issuance and sale of the Proposed Securities will be compatible with the public interest, will be necessary and appropriate for, and consistent with, the proper performance by the Company of its service to the public as a utility, will not impair its ability to perform that service, and will be reasonably necessary and appropriate for such purpose.

CONCLUSIONS OF LAW

Based upon the foregoing Findings of Fact and review and study of the verified Application, the Commission is of the opinion, and so finds that the Company is a public utility subject to the jurisdiction of this Commission with respect to its rates, service, and securities issues and makes the following conclusions in regard to the issuance and sale of the Proposed Securities, as set forth in the Company's Application.

1. The Commission concludes that the relief sought by Duke Energy Carolinas is consistent with its previous Order in this Docket.

2. The Commission concludes that the grounds stated in Duke Energy Carolinas' Application are sufficient to support the relief sought by the Company.

3. The Commission concludes that the purposes of the issuance and sale of the Proposed Securities are for lawful objects within the corporate purposes of the Company and compatible with the public interest.

4. The Commission concludes that the issuance and sale of the Proposed Securities will be necessary and appropriate for or consistent with the proper performance by the Company of its service to the public and will not impair its ability to perform that service and is reasonably necessary and appropriate for such purposes.

5. When the net proceeds from the sales of securities herein authorized are applied and used by the Company to purchase or redeem certain of the Company's outstanding unmatured securities, such sales will be made from time to time when market conditions will permit the sales on terms which would result in a lower cost of money to the Company. We conclude that the Company's proposal to reflect any premium paid on purchased or redeemed securities in the going forward cost of the newly issued securities is reasonable. If any of the securities are sold through a noncompetitive methodology such as in a private placement or at a negotiated price, the Company will on the day of pricing or the next business day notify the Commission in writing (initially by fax or electronic mail is acceptable) of the terms and basis of the pricing including comparative current market data of other similar financing transactions.

6. ORS does not oppose the relief sought in Duke Energy Carolinas' Application.

IT IS, THEREFORE, ORDERED, ADJUDGED, AND DECREED THAT:

A. ORS was properly served with the Application in this Docket and does not oppose the relief sought by the Company.

B. Duke Energy Carolinas, LLC is hereby, authorized, empowered, and permitted, upon the terms and conditions set forth in its Application to issue and sell from time to time a maximum of \$2,000,000,000 aggregate principal amount of the Proposed Securities as described in the Application; and

C. To use the net proceeds of such sales to purchase or redeem higher cost securities, to refund maturing securities, to finance its ongoing construction (including the acquisition of nuclear fuel), and for its general purposes.

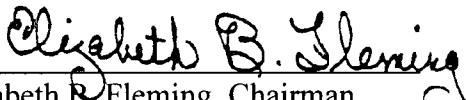
D. The terms and conditions proposed for the issuance and sale of securities are reasonable and permitted by law in the manner set forth in the company's Application.

E. The purposes of the issuance and sale of the Proposed Securities are lawful objects within the limits of the Company's authority and purposes under the applicable laws and regulations.

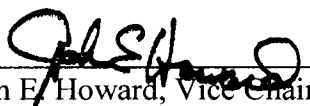
F. The issuance and sale of the Proposed Securities will be necessary and appropriate for, and consistent with, the proper performance by the Company of its service to the public as a utility, will not impair its ability to perform that service, and will be reasonably necessary and appropriate for such purpose.

G. This Order shall become effective upon the signature of the Chairman and counter signature of the Vice-Chairman and shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Elizabeth B. Fleming, Chairman

ATTEST:


John E. Howard, Vice Chairman
(SEAL)